

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6522

BILL NUMBER: HB 1427

NOTE PREPARED: Dec 10, 2002

BILL AMENDED:

SUBJECT: Liability for Health Care Treatment Decisions.

FIRST AUTHOR: Rep. Pelath

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill provides for a duty of ordinary care for health insurance carriers, health maintenance organizations, and other managed care entities when making health care treatment decisions. The bill makes health insurance carriers, health maintenance organizations, and other managed care entities liable for harm resulting from health care treatment decisions made without exercising ordinary care. The bill also prohibits certain actions by a health insurance carrier, a health maintenance organization, or other managed care entity.

Effective Date: July 1, 2003.

Explanation of State Expenditures: This bill provides that insurance carriers and managed care organizations have the duty to exercise ordinary care when making health care treatment decisions and makes them liable for harm to an insured or enrollee that is proximately caused by the failure of the insurance carrier or managed care organization to exercise ordinary care. However, prior to litigation an individual must exhaust all administrative remedies. These provisions may result in additional litigation and claims expenses and additional costs for malpractice insurance to the health plans offered to state employees.

Any increased costs due to litigation may be reflected in increased premiums and enrollment fees. Increased premiums and fees, however, may or may not result in additional costs to the state, depending upon administrative action as to the determination of the employer/employee cost share for health plan benefits. The state may choose to pass the cost on to employees in the form of higher deductibles, higher premiums, or limiting other conditions covered.

Explanation of State Revenues:

Explanation of Local Expenditures: Similar to the state, increased premiums and enrollment fees may or may not result in additional costs to local governments and school corporations, depending upon administrative action as to the determination of the employer/employee cost share for health plan benefits offered to employees. Local governments may elect to pass the cost of increased premiums on to employees in the form of higher deductibles, higher premiums, or limiting other conditions covered.

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected: Local Governments and School Corporations.

Information Sources:

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